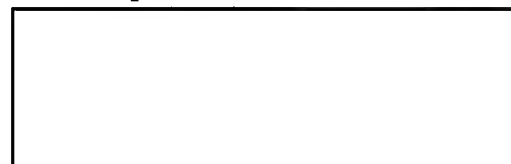


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LAOS: Steps to implement the protocol signed on 14 September are moving forward as both Prime Minister Souvanna and Pathet Lao negotiator Phoumi Vongvichit grapple with a variety of practical problems. Both sides appear interested in a rapid implementation of the agreement, but things may not work out as quickly as they would like.

Within 24 hours of the signing of the protocol, Phoumi and Souvanna were busy ironing out details of the agreement. Phoumi also has asked the Soviet and British embassies to reactivate the International Control Commission machinery quickly to facilitate implementation of the protocol. Phoumi left for Sam Neua late last week, where he presumably will get fresh instructions.

Meanwhile, Souvanna is lobbying among key National Assembly deputies to ensure smooth approval of the peace agreement and of the new coalition government. Some of the deputies are determined, however, to extract political favors before letting Souvanna have his way. In addition, some rightist politicians, in an effort to sidetrack the agreement, are spreading scare stories in Vientiane of an impending North Vietnamese offensive. These problems are probably manageable, but they could cause some delay in the formal investiture of a new government.

Souvanna has also named his chief negotiator, Pheng Phongsavan, to head the government's delegation to the Joint Committee to Implement the Agreement, a body created to work out the day-to-day problems of implementation. Finally, Souvanna has tentatively decided to name Sisouk na Champassak as minister of defense in the new government, Pheng as minister of interior, and--despite the misgivings of army leaders--Ngon Sananikone as minister of finance.

(continued)

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The Communists have not yet provided a list of their nominees for the new government, but Phoumi presumably will bring back a roster when he returns from Sam Neua. The Communists are insisting on adequate security arrangements prior to the arrival of their personnel. The first step in this process is the positioning of Pathet Lao police and military units in Vientiane.

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CHILE: The junta has rebuffed attempts by some Christian Democrats to influence the military to modify some of its political actions and policies. In addition to this possible alienation of potential supporters, the military's high-handed tactics may give other supporters pause.

The military does not appear totally inflexible on its policies, but its apparent intolerance and repressiveness could cause further problems internally and subject it to increased international criticism. While the military junta is concerned with its international image, and is making efforts to improve it, it has committed excesses that conjure up unfortunate historical comparisons.

The banning of all Marxist parties and yesterday's decree "recessing" the remaining political organizations as a means of promoting "national unity" demonstrate the government's determination to keep the left from regaining power. The junta's tight hold on the country could ease as it secures its position further, but if the left regroups and is able to launch an urban or rural insurgency, even stronger measures are possible.

The Christian Democrats will be disheartened by the turn of events. Neither a split in the party nor a break between it and the regime seems likely now, but at the same time the junta cannot afford to take the party's continued support for granted.

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JAPAN: Tokyo probably will ease controls on the inflow of foreign funds within the next few months. This would reverse a policy initiated in mid-1971 when restrictions were tightened to limit speculative dollar inflows. Japan now has the most restrictive controls of any major industrialized nation.

A decline in foreign exchange reserves, six consecutive months of balance-of-payments deficits, and some foreign as well as domestic pressure for internationalization of the yen have prompted Tokyo to consider altering its tight control system. In addition, the stability which has prevailed in Tokyo's foreign exchange market since March has made monetary officials confident that some loosening of restrictions can be accomplished without stimulating speculative inflows. Any policy changes will come gradually, however, and the results will be closely monitored by Tokyo. One of the first steps may be the removal of limits on portfolio investment in Japanese stocks by foreigners.

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AFGHANISTAN: Recent appointments to key government positions appear to reflect a growing strength for local pro-Soviet Communists.

US officials in Kabul continue to receive reports alleging that appointees to high positions within the government include significant numbers of members of or sympathizers with Parcham (Banner), the larger of the two pro-Soviet factions in the Communist Party of Afghanistan. They are said to hold high posts in education and economic development. Earlier reports had indicated that several members of the ruling Central Committee and of the cabinet may be members of Parcham. Some of the allegations are being made by disgruntled former officials, ousted by the republican regime, who may be attempting to discredit their successors. The US Embassy notes, however, that the allegations are appearing too often to ignore.

Recent reporting has indicated a split between President Daud and the left-wing young military officers who are on the government's Central Committee. Any increase in Parcham influence at key levels of the government would appear to weaken Daud's position vis-a-vis his opponents. Little is yet known about the role played by Parcham, a small but cohesive party prior to the coup in July, in the events leading to the overthrow of the monarchy.

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## FOR THE RECORD\*

Egypt-Libya: Presidents Sadat and Qadhafi are each scheduled to deliver speeches in Egypt on the anniversary of President Nasir's death on 28 September; Sadat will speak in Cairo, and Qadhafi will address Libyan students in Alexandria. The following day, both presidents will give keynote addresses at the opening session in Cairo of the Egyptian-Libyan constituent assembly that will draft a constitution and nominate a president for the "united" Egyptian-Libyan state. [REDACTED]

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EC: The EC Commission has decided to recommend common agricultural policy regulations for protein-rich crops, particularly soybeans, following discussion in the Council this week of the protein supply situation in the community. The specific proposals, which are likely to be submitted by mid-October, are not yet known, but they will probably encourage--largely at French urging--long-term development of EC soybean production in light of the alleged uncertainty about future US supplies. The French are nevertheless aware that their eventual soybean production capability will account for only a small portion of their needs. [REDACTED]

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Iran: According to the US consul in Khorramshahr, the workers' strike at the Abadan Refinery has ended without violence. [REDACTED]

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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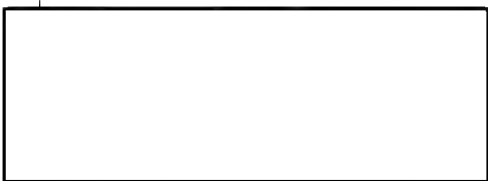
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